
Report of the Commissioner of Finance

2024 to 2026 Budget – Public Works – Environmental Services

1. Recommendations

1. Committee of the Whole recommends the budget as submitted for Public Works – Environmental Services as follows:
 - a. The 2024 operating budget and 2025 to 2026 operating outlook as summarized in Appendix A
 - b. The 2024 capital expenditures and Capital Spending Authority, as summarized in Appendix B
 - c. Accelerated Inclusion of Phases 2 and 3 of the North YDSS (York Durham Sewage System) expansion project in the 10-year capital plan, in advance of inclusion in the next development charge bylaw update
 - d. That staff be directed to pursue senior government funding opportunities and developer prepaid agreements for Phases 2 and 3 of the North YDSS expansion project
2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 21, 2023.
3. The Regional Solicitor be directed to prepare the necessary water and wastewater rate bylaws to incorporate the discounted wastewater rates reflected in the budget.

2. Purpose

This report provides a summary of the 2024 to 2026 Operating and 2024 Capital Budget for Public Works – Environmental Services for consideration by Committee of the Whole. Details of the budget can be found on page 67 of the [2024 to 2026 Budget Book](#)

Key Points:

- The proposed budget enables Public Works – Environmental Services to meet the needs of York Region residents, by delivering safe, reliable and high-quality water and wastewater, waste management and forestry services to people and communities in the Region.
- The 10-Year Capital Program plan delivers safe, reliable and high-quality water and wastewater, waste management and forestry services, allows for delivery of the organization’s energy use programs, and for leading the Region’s corporate asset management planning.
- The 2024 proposed gross operating expenditures are \$694.4 million, which is 22.0% of total Regional operating expenditures
- After non-tax revenues of \$621.3 million, the proposed net operating budget is \$73.2 million, or 5.2% of the Region’s net expenditures, representing an increase of 19.34% from the 2023 budget
- The 2024 proposed capital budget is \$380.3 million, or 37.8% of the proposed total Regional capital expenditures, with proposed Capital Spending Authority of \$2.32 billion

3. Background

Public Works – Environmental Services delivers sustainable critical infrastructure and services that protect public health and the environment across the Region’s growing communities.

2023 Budget approved on February 23, 2023 included an operating outlook for 2024-2026

The 2023 Budget approved on February 23, 2023 included a 2024 to 2026 outlook with tax levy increases of 2.75%, 2.60% and 2.60%, respectively, and an additional Rapid Transit / Infrastructure Levy of 1% in each year to help fund the Yonge North Subway Extension and other critical infrastructure. This outlook reflected budget amounts for Regional departments and key service areas.

2024 Budget was tabled with Council on November 23, 2023

The [2024 Budget Directions](#) report established the timeline of tabling the 2024 to 2026 Budget in November 2023, with departmental reviews by Committee of the Whole on November 30 and December 7, and final approval by Council scheduled for December 21, 2023.

The proposed 2024 to 2026 Operating and 2024 Capital Budget was tabled with Council on November 23, 2023. It included a proposed tax levy increase of 2.75%. The tabled budget also includes an additional Rapid Transit / Infrastructure Levy of 1%, which is consistent with funding requirements identified as part of the [2023 Regional Fiscal Strategy](#) report, [2024 Budget Directions](#)

report, and the [2023 Fiscal Sustainability Update](#). The budget as tabled was received and referred to the meetings of Committee of the Whole for consideration and recommendation.

2024 Budget is the second year of the 2023-2026 Multi-year Budget covering the term of Council

The operating budget as presented includes the proposed 2024 budget and an outlook for 2025 to 2026. The outlook will be reviewed annually through the budget process. Each year Council will consider the proposed budget for the upcoming year and the outlook for the remaining years of Council's term.

For the 2024 to 2026 budget, Council is asked to approve the 2024 proposed operating budget and endorse the 2025 to 2026 outlook.

Multi-year commitments for capital projects are proposed as part of the budget process

Many capital projects span several years of planning, design and construction, requiring spending authority beyond the current budget year.

Capital Spending Authority is requested for 2024 capital expenditures and for projects with contractual and other clear or certain multi-year commitments. As in previous years, Council is asked to approve the proposed 2024 capital expenditures and associated funding sources, as well as the multi-year Capital Spending Authority and associated funding sources.

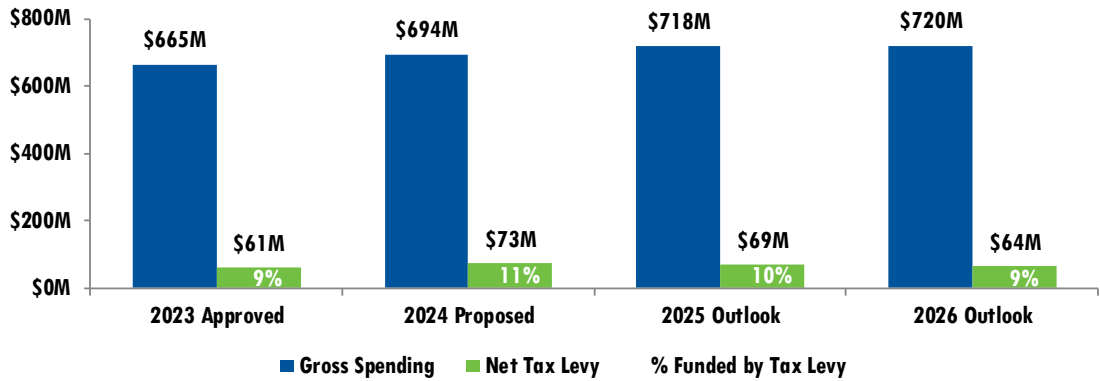
4. Analysis

Operating Budget - Approval of 2024 gross expenditures of \$694.4 million and net expenditures of \$73.2 million is requested

The budget includes gross operating expenditures (i.e., total budget), and net expenditures, which correspond to the portion of the budget paid by the tax levy. Non-tax revenues fund the difference. In Public Works – Environmental Services, non-tax sources of revenue include water and wastewater user rates, development charges, with a smaller portion from fees, charges and third-party recoveries.

The 2024 proposed gross operating expenditures for Public Works – Environmental Services are \$694.4 million, or 22.0% of total Regional expenditures. The proposed 2024 net expenditures of \$73.2 million are 5.2% of the total. The tax levy funds 10.5% of Public Works – Environmental Services' 2024 gross expenditures, as shown in Figure 1 on the next page.

Figure 1
2024 Gross and Net Operating Expenditures



Major drivers for the increase in Public Works – Environmental Services’ proposed 2024 operating budget include inflationary impacts on contract costs and lower revenues for waste

Public Works – Environmental Services’ proposed 2024 gross budget is \$694.4 million, an increase of 4.4% from the previous budget. Net budget expenditures are projected to be \$73.2 million, an increase of 19.34% from the previous budget.

Gross expenditures are largely driven by water and wastewater spending of \$593 million including \$4.2M in higher rates and forecasted flows for purchased water and wastewater treatment costs with Toronto and Peel, as well as \$4.4M in increased wastewater treatment costs with Durham.

However, because operations are funded by user rates, water and wastewater costs have no impact on the net tax levy. In September 2021, Regional Council approved new user rates for the period of April 1, 2022 to March 31, 2028 to ensure that rates cover all costs associated with providing water and wastewater services.

The department’s proposed 2024 net budget is higher than the 2023 budget due to inflationary impacts on contract costs, lower projected marketable waste tonnage, and the increasingly urbanized nature and higher associated costs to maintain forestry assets. These pressures have been partially mitigated by proposed fee increases for waste dropped off at Regional waste depots, from \$125/tonne to \$170/tonne.

The percentage increase in the proposed Public Works – Environmental Services budget does not reflect any offset from assessment growth revenue, as assessment growth is applied to reduce the overall Regional tax levy, rather than apportioned to individual departments.

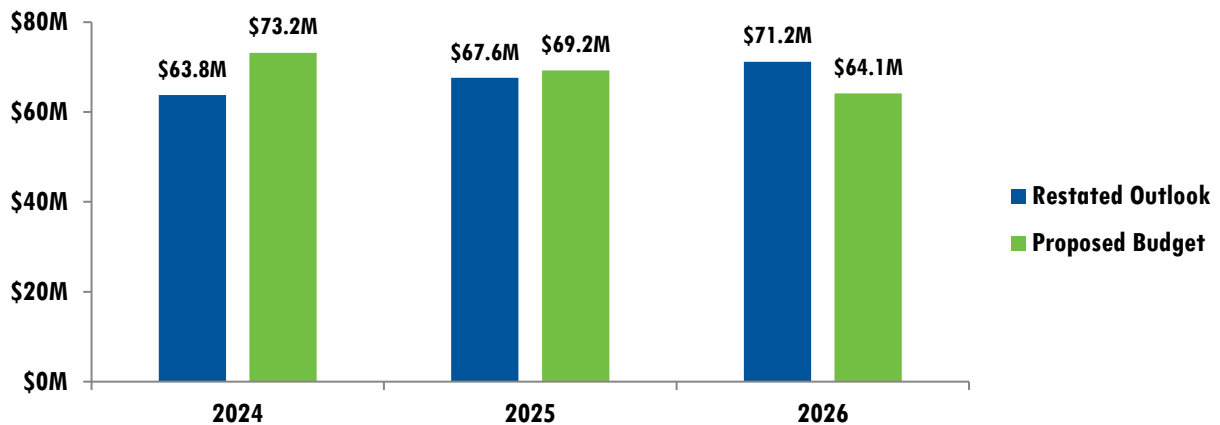
Uniform wastewater service rate bylaw includes updated wastewater flow discounts to reflect septic systems in some communities

The budget reflects the impact of discounted wastewater rates for certain communities. A Region-wide 1:1 ratio is used to bill for wastewater volumes based on water consumption in most local municipalities. In certain communities with some Institutional, Commercial and Industrial (ICI) and residential accounts serviced by septic systems, wastewater flow volumes are billed at less than 100% of water flows. The Region reviews discounted wastewater volumes on an annual basis and updates the uniform wastewater service rate bylaw by the start of Q2 accordingly. With continuing growth of municipal servicing in these communities, the percentage of residents on septic systems has decreased and continues to do so.

Proposed Public Works – Environmental Services’ 2024 operating budget is higher than outlook

As illustrated in Figure 2 below, the proposed Public Works – Environmental Services 2024 net budget is \$9.4 million higher than the outlook, and is \$1.7 million higher and \$7.0 million lower than outlook for 2025 and 2026 respectively.

Figure 2
2024 Proposed Net Budget Compared to Outlook



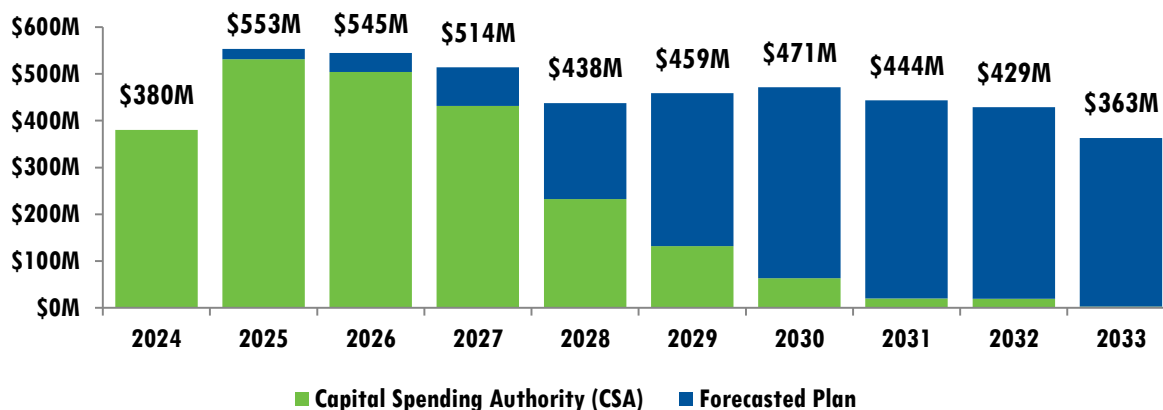
The department’s proposed 2024 net budget is \$9.4 million higher than the outlook as a result of an expected reduced draw from the Waste Management Stabilization Reserve and higher contract costs for solid waste and other contracted services.

Capital Budget - Approval of 2024 capital expenditures of \$380.3 million and Capital Spending Authority of \$2.32 billion is requested

Public Works – Environmental Services’ capital budget enables infrastructure projects in support of growth, such as growth and renewal of facilities and equipment including treatment plants, pumping stations, water mains, wastewater collectors, waste facilities, and green infrastructure.

As shown below in Figure 3, the 2024 proposed capital expenditures are \$380.3 million or 37.8% of total Regional capital expenditures. Proposed Capital Spending Authority is \$2.32 or 38.1% of the Region’s total Capital Spending Authority.

Figure 3
Ten-Year Capital Plan and Capital Spending Authority (CSA)



Appendix B summarizes the proposed 2024 capital expenditures and Capital Spending Authority by program and shows the associated funding sources. Details on the individual projects are available in the 2024 to 2026 Budget Book starting on page 260.

The proposed capital plan includes \$593.1 million in external funding that has not yet been secured

Public Works – Environmental Services proposed capital plan includes \$593.1 million for two projects, including North YDSS Expansion Phase 2 and North YDSS Expansion Phase 3, the timing of which is dependent on the availability of a sustainable funding model. The North YDSS Expansion will be delivered in three phases over the next two decades with a total estimated project costs of \$1.8 billion.

The Region has been working actively with developers to identify opportunities to share financial risk within the Region’s available fiscal capacity. Phases 2 and 3 of North YDSS are included in the capital plan and are currently budgeted to be funded by future developer contributions, while the Region will continue to advocate for senior government funding options. Without a sustainable

funding model, the project would create significant debt pressure which could adversely impact the Region's credit ratings.

The proposed budget supports the Strategic Plan

The budget for Public Works – Environmental Services supports the delivery of the *2023 to 2027 Strategic Plan* priorities under Vision's Areas of Focus of Economic Vitality, Healthy Communities and Sustainable Environment.

More information on alignment between the Strategic Plan and the budget is provided in the [2024 to 2026 Budget Book](#)

5. Financial Considerations

The proposed 2024 net operating budget for Public Works – Environmental Services is \$73.2 million, which represents a 19.34% increase before assessment growth revenue, as summarized in Appendix A.

The proposed 2024 capital budget of \$380.3 million and Capital Spending Authority of \$2.32 billion are summarized in Appendix B. The 10-year capital plan includes Phases 2 and 3 of the North YDSS Expansion project, but timing will be affected by availability of a sustainable capital funding model for this project.

6. Local Impact

The Region's budget supports a wide range of public services that support and benefit residents and local economies. The Region works with its local municipal partners to develop many Regional programs and services. Local needs and impacts are an important consideration in delivering effective and efficient services for a growing population.

7. Conclusion

This report sets out the proposed operating and capital budgets for Public Works – Environmental Services. To facilitate completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Council for consideration on December 21, 2023.

For more information on this report, please contact Kelly Strueby, Director, Office of the Budget at 1-877-464-9675 ext. 71611. Accessible formats or communication supports are available upon request.

Recommended by:



Laura Mirabella

Commissioner of Finance and Regional Treasurer



David Szeptycki

Acting Commissioner of Public Works



Approved for Submission:

Erin Mahoney

Chief Administrative Officer

November 7, 2023

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Appendix A – Operating Budget

Appendix B – Capital Budget

2024-2026 Operating Budget for Public Works – Environmental Services

(in \$000s)	Page No.	2023 Budget		2024 Proposed		Change Net %	2025 Outlook		2026 Outlook	
		Gross	Net	Gross	Net		Gross	Net	Gross	Net
Water and Wastewater	89	568,863	-	593,040	-		612,680	-	632,884	-
Waste Management	98	78,453	45,173	82,338	55,805	23.54%	85,225	51,002	66,600	45,147
Forestry	101	16,497	14,919	17,685	16,180	8.45%	18,585	16,993	19,399	17,718
Climate Change & Energy Conservation	104	1,401	1,226	1,368	1,193	(2.69%)	1,427	1,252	1,455	1,280
Total¹		665,215	61,318	694,431	73,178	19.34%	717,917	69,247	720,337	64,145

¹ Numbers may not add due to rounding

² The percentage change in the proposed budget does not reflect any offset from assessment growth revenue

³ Summary of the consolidated Operating Budget for York Region can be found on the table on pages 44 - 45 in the 2024-26 Budget Book

2024 Capital Expenditures and Capital Spending Authority (CSA) for Public Works – Environmental Services

Water	Page No.	2024 \$000s	Total CSA \$000s
Program Expenditures:			
Rehabilitation and Replacement	89	63,101	395,965
Growth	89	64,825	185,622
Total Program Expenditures		127,926	581,587
Funding Sources:			
Development Charges	89	16,021	124,636
Developer Financing	89	48,554	48,911
Asset Replacement Reserve	89	62,391	379,655
Grants & Subsidies	89	960	16,860
Planned Debenture Proceeds	89	-	11,525
Total Funding Sources		127,926	581,587

Wastewater	Page No.	2024 \$000s	Total CSA \$000s
Program Expenditures:			
Rehabilitation and Replacement	89	118,337	563,555
Growth	89	123,763	1,139,137
Total Program Expenditures		242,100	1,702,692
Funding Sources:			
Development Charges	89	103,440	790,913
Developer Financing	89	19,874	114,756
Asset Replacement Reserve	89	105,845	479,448
Grants & Subsidies	89	430	899
Other Recoveries	89	12,511	85,991
Planned Debenture Proceeds	89	-	230,685
Total Funding Sources		242,100	1,702,692

Waste Management	Page No.	2024 \$000s	Total CSA \$000s
Program Expenditures:			
Rehabilitation and Replacement	98	3,083	8,383
Growth	98	102	306
Total Program Expenditures		3,185	8,689
Funding Sources:			
Development Charges	98	102	306
Program Specific & Gen. Capital Reserves	98	3,083	8,383
Total Funding Sources		3,185	8,689

Forestry	Page No.	2024 \$000s	Total CSA \$000s
Program Expenditures:			
Forestry	101	5,739	17,212
Funding Sources:			
Development Charges	101	1,472	3,287
Asset Replacement Reserve	101	172	782
Program Specific & Gen. Capital Reserves	101	2,053	3,857
Grants & Subsidies	101	2,042	9,286
Total Funding Sources		5,739	17,212

Climate Change & Energy Conservation	Page No.	2024 \$000s	Total CSA \$000s
Program Expenditures:			
Climate Change & Energy Conservation	104	1,380	7,675
Funding Sources:			
Asset Replacement Reserve	104	1,380	7,675
Total Funding Sources		1,380	7,675

¹ Summary of the consolidated Capital Budget for York Region can be found on the table on pages 56-57 in the 2024-26 Budget Book